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**MODERNIZING PUBLIC SERVICES:**

**SUBTLE INTERPLAYS OF POLITICS AND MANAGEMENT**

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**ABSTRACT**

The modernization of public services has been a continuous priority in the agenda of many governments. The challenge of providing more public services with fewer resources has become a political slogan, which appears to give primacy to public management. This paper examines the trajectory of public management reforms in Italy. This experience indicates the complexity of managerialism in countries with a legalistic system and where public administration cultures have been, and continue to be, embedded in politics.

**Key words:** new public management, public service reforms, legalistic context, Italy

**Introduction**

This paper reflects on reform processes in contemporary society by focussing on public sector reforms in a highly politicized country – Italy. The Italian challenges and experiences of public sector reforms are shared by many other countries in continental Europe, which adopt legalistic approaches to public administration. Legalistic approaches to public administration in continental Europe (Mele, 2010) contrast with the Anglo Saxon managerial style exemplified by New Public Management (NPM) (Hood 1991; 1995). This

paper reveals the manner and extent to which legalistic traditions undermine or limit NPM reforms.

This paper makes a number of contributions to the public sector accounting literature. These include the use of the theoretical framework of reform processes which is relatively neglected within public sector accounting; the adoption of the research approach of longitudinal analysis which yields rich understandings of reform processes and which has wider potential application in the public sector; and the study setting of the legalistic state as an obstacle to NPM implementation. The study setting of Italy offers a distinctive extension to our understanding of the enactment of NPM in the legalistic world of continental Europe. Specifically, through a longitudinal analysis of Italian reforms, this paper reveals the particular manner in which the Italian modernizers have articulated many NPM type reforms, the way in which they have chosen to promote their most recent reforms to citizens, and the systemic nature of the embedded public administration tradition which acts as an obstacle in the implementation process. A longitudinal analysis approach is adopted with the objective of providing detailed insights into how NPM principles were interpreted and implemented in a country characterized by a legalistic culture. This paper shows how the legalistic culture persists and affects the implementation of NPM reforms. In this paper, we have analysed the trajectory of reforms across different years. This reveals that, although these reforms were initiated in different political contexts, the same, unsatisfactory outcomes were experienced.

The analysis found over the period studied that the Italian reforms built on previous NPM-inspired Italian initiatives, but with contradictory results. This paper reasserts the finding of public sector reformers as relentless modernisers (Brunsson, 2009). But, ultimately, this study illustrates the limits to the spread of NPM type reforms to countries which have embedded traditions with cultures resistant to change and surrounded by political debate.

This paper is organised as follows. Next there is a discussion of the theoretical framework of reform processes. Then we illustrate the research context of the legalistic systems. We then set out our research method. The findings discuss four significant NPM reforms in Italy over the period 1979-2013. Finally, some concluding remarks are provided.

### **Theoretical Framework: Reform Processes and Politicised Systems**

This paper adopts the literature on reform processes as its theoretical lens for the study of NPM initiatives in Italy. This approach suggests that repetitive patterns of behaviour may

occur in the formulation and implementation of reforms. Therefore this theoretical perspective benefits from a research approach which examines reforms over time. The antecedents of policy formation are important. Thus, the Italian Government context is shaped by highly politicised processes which may be attributed to pre-modern practices and deep historical roots in the Italian state (Putnam et al. 1993).

While it has been suggested that there is a general lack of understanding of policy formation, changes in policies and the conditions which constrain or facilitate policy implementation (Capano and Howlett 2009; Mele and Ongaro, 2014), the context of politicised organisations offers a distinct set of reform experiences. In highly politicised organisations, reform processes exhibit distinct characteristics. In particular, they often fail (Lapsley, 2009) generating a ‘long history of disappointment’ (March and Olsen 1983, p.289). There are a number of dimensions to these processes of reform failure. A noticeable feature of this human endeavour is *persistence* (March and Olsen 1983, pp.288-289; Brunsson, 2009, p.98) – the repetition of similar ideas and relatively similar arguments over long time periods. This persistence may continue in the face of apparent failure, particularly in the domains of ‘strong beliefs and ambiguous experience’ (March and Olsen 1983, p.289).

A further, distinct feature of policy formation is the importance of organisational memory and *forgetfulness* in the acceptance of reforms (Brunsson and Olsen 1993). This phenomenon cuts across the entire process of policy making, with issues for government policy makers who devise policy and for the public service organisations which are subject to policy change. It has been suggested that our understanding of organisational memory (how and where it works within organisations and in interactions between organisations and public agencies) is a major, neglected area of research within public services (Pollitt 2009). Indeed, Pollitt (2009) argues that hierarchical organisations have greater retention of organisational memory. This may confound the reform of public agencies.

Reforms may also involve *deception* and hypocrisy (Brunsson 1989; Ongaro 2011). Thus, Brunsson (2009, p.96) suggests that reforms have to be presented as ‘better’ than solutions currently in use. Indeed, Brunsson (2009, p.114) suggests that reforms are described as simple, general, very sensible, as ‘beautiful principles’, but which then change on implementation. Specific adaptations will need greater detail and they may become ‘less beautiful’ and more like the old ones that they are replacing. This phenomenon may occur as modernisers or political reformers articulate visions of reforms which emerge from relatively macro theories of broad political and social trends which translates to a vision of

confusion at the micro level (March and Olsen 1983, p. 292). As part of this process of deception, modernisers or reformers may present 'reorganisations' as a tactic for the illusion of progress, where none exists (March and Olsen 1983, p.290).

These enactments of reform are influenced by strong beliefs. Policy makers and their advisers are susceptible to the presentation of ideas as being new and novel, where prior experience lacks validity (Brunsson 2006, p.229). Where reforms are seen as impractical, in practice, advocates can continue to 'talk' their ideas, rather than to practice reform. These phenomena can then recur, with reforms generating new reforms and even demands for further reforms aimed at the same problem and propagating the same solutions (Brunsson and Olsen 1993, p.42). In this way, Brunsson and Olsen regard policy makers as 'relentless modernisers'.

In particular, these relentless modernisers are receptive to the idea of rationality and the rational organisation (Brunsson 2006, p.229). This affords opportunities for symbolic phenomena, rituals and ceremonies to assume greater significance in the political context than more instrumental or functional explanations of political acts (March and Olsen, 1983). One feature of this is likely to be mimicry of the private sector organisation as a means of obtaining legitimacy. Brunsson and Sahlin-Andersson (2000) portray this as a desire by modernisers to be considered part of a 'complete organisation', in which public sector organisations have all the trappings of the modern private sector corporation (Boards of Directors, CEOs, private sector management techniques and practices).

The mimicry of private sector practices is a central feature of the NPM phenomenon (Hood 1991; 1995). This reform process is fused with ideas of rationality. The NPM policy development was influenced by ideas of public choice theory (Buchanan 1986; Hayek 1960) which are themselves imbued with a strong sense of rationality and which criticised public bureaucracies and favoured markets for the expression of individual preferences. The NPM movement is encapsulated in the public sector embracing ideas of the rational organisation, which is perceived to be the case in the private sector and through the deployment of private sector practices to improve the efficiency of the public administration (Cheung, 2005; Cole and Jones, 2005; Lodge and Gill, 2011; Cristofoli et al., 2011).

While there continues to be debate about what precisely NPM has become, there is an acceptance by a number of contributors to the literature, that traces of NPM can be tracked in government reforms (Lapsley, 2008; 2009; Pollitt, 2014). Notably, within the phenomenon of NPM, Hood (1995, pp. 93-94) placed quantification, in general, and accounting, specifically, as a central feature of these reforms (Cole and Jones, 2005; Lee

and Haque, 2006; Christensen et al., 2007; Lodge and Gill, 2011). In this regard, with the NPM emphasis on measurement and results, the adoption of private sector accounting information and calculative practices can be mobilised as a means of visualising the complete, the rational, organisation and of pursuing change in the name of reforms (Brunsson and Sahlin-Andersson 2000; Cheung, 2005; Cole and Jones, 2005; Christensen et al., 2007; Cristofoli et al., 2011).

Within Italy, these reform processes – the desire for (and implausibility of) change; the presence of both persistence and deception (regarding feasibility); and the significance of rationality and accounting practices as devices for enactment of policy reform, can all be found. The reform processes which can best depict the essence of what has happened and continues to happen in Italy are captured in an Italian translation of the NPM movement (Hood 1991; 1995).

### **Research Context: Legalistic Environment**

One fundamental importance to this study is the research context. The presence of strong legalistic traditions which define practices are of fundamental importance in many Continental European countries. This research focusses on Italy, a country which is one of those European countries characterised by a legalistic system (Capano, 2003; Ongaro, 2008; Ongaro and Valotti, 2008; Mele, 2010; Mele and Ongaro, 2014) and more specifically, is associated with the French legal model (Kickert 1997) and those of other Southern European countries (France, Italy, Portugal, Spain and Belgium). As pointed out by Torres (2004) these countries inherited a ‘Napoleonic’ style, based on the establishment of a centralized and hierarchical administrative system that intervenes in all aspects of a bureaucratic state (Cole and Jones, 2005; Di Mascio and Natalini, 2013). Strictly related to the “Napoleonic” nature of the Italian administrative system is its dominance of administrative law as a reference point in the formulation and adoption of practices in public administration (Capano, 2003; Gualmnini, 2008; Mele, 2010; Di Mascio and Natalini, 2013). This policy tradition is particularly relevant in understanding the trajectory of public administration reforms.

Following Peters (2008), traditions continue to have a contemporary relevance when implementing paradigmatic change since they provide future scenarios of policy failures of success. This demonstrates a context of a systemic resistance to the Anglo Saxon managerialism of NPM. In Capano’s words the possibility to change policy paradigm could be summarized as follows: *‘the nearer you get to the hard core, the greater resistance to*

*change you are going to encounter*' (Capano, 2003, p. 783). Although different 'deviations' of the Napoleonic- legalistic model exist, Peters (2008) identified some recurrent features of its 'DNA' (Peters, 2008, p.121). First, the Napoleonic model is based upon an organic conceptualization of the relationship between State and society (Peters, 2008), according to which the centrality of the State is a means to integrate society (Ongaro and Valotti, 2008). The second feature focus on the tension between law and management to define the fundamental tasks of public administration. To this point, the Napoleonic model favours a legalistic approach to define public administrators' tasks and, in turn, it is traditionally sceptical of an increased role of public managers (Peters, 2008). Third, citizens are primarily conceived of as subjects with rights and duties, rather than as services users and customers of public services (Ongaro and Valotti, 2008). Similarly, civil servants are considered to be a social group distinct from society as a whole since they are delegates of the State<sup>1</sup> (Ongaro and Valotti, 2008). Finally, the Napoleonic model privileges formal and legalistic accountability mechanisms according to which the predominant value is compliance with the laws of the State (Peters, 2008; Mele, 2010).

Although he does not specifically deal with the Napoleonic model, Capano (2003) offers a relevant contribution to understand the hegemony of the administrative paradigm in Italy. In this country, the 'jurisdictional transformation of the state has been accompanied by the jurisdictional transformation of the way in which the action of the public administration are viewed and judged' (Capano, 2003, p. 786). Following Capano, the administrative paradigm is characterized by (1) the dominance of the rule of law; (2) the separation of political decision-making process from the implementation of these decision; (3) the principle of impartiality and neutrality; (4) the principle of legality to guide administrative actions and (5) the coherence of the normative and legalistic system (Capano, 2003). This study setting presents a formidable challenge for NPM-type modernisers, as shown below.

## **Research Method**

To analyse the public management reform trajectory in Italy, we adopt a longitudinal approach. This longitudinal analysis allows us to provide a detailed insight into how NPM reforms were interpreted and implemented in a similar vein during several years, starting from the end of the '70s to 2013. The longitudinal analysis approach has been used other studies (see Mele, 2010; Capano, 2003), but remains a relatively neglected research approach in public sector accounting.

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<sup>1</sup> A traditional example of civil servants as delegate of the State is the professional figure of the prefect (Ongaro and Valotti, 2008).

This longitudinal analysis focuses on a time period of 34 years (1979-2013) within which we identify four main phases of reform. The first phase was an early attempt at stimulating and evidencing the need for reforming public administration. This culminated in the Giannini report (1979). The second important, and more lively, phase for Italian managerial reforms was in the 1990s, culminating with the so-called Bassanini reform. The third phase, Brunetta reform, named after the Minister who promoted it, came after nearly a decade and it was a later advocacy of a specific NPM element: performance management. Finally the research included a more recent reform, enacted under the technocratic Monti's government, driven by the priority of reducing public expenditure.

The analysis of managerial reforms in Italy was carried out using a documentary analysis, which focuses on the above four significant reforming ideas and moments. The following table summarises the legislative documents which were analysed and their timeframe.

<< Insert Table 1 here >>

In addition to these reports and acts of parliament, the documentary analysis was based on monitoring the government websites which communicated the progress of the later reforms. We also examined the innovative communication channels related specifically to Brunetta, who adopted social media to promote his reforming strategy. These included Brunetta's personal website; a YouTube channel, Twitter and Facebook. Finally we refer, selectively, to media coverage of these reforms to inform our analysis.

## **Results**

The findings of this paper are discussed in four phases: (1) an early advocacy of managerial reforms, the Giannini Report; (2) the 1990s reform, the Bassanini Reform, which recalled Anglo-Saxon principles; (3) a later managerial reform, Brunetta, enacted in 2009; and finally, (4) the recent reform promoted by the technocratic Monti government. These represent distinct stages in the attempts to implement NPM in Italy

### *Phase 1: NPM before NPM – The Giannini Report*

An early and enlightened attempt was a report presented to the Italian Chambers by Massimo Severo Giannini. In 1979 Mr Giannini was, at that time, a Minister of State and his report aimed to attract the attention of the Italian chambers over “the situation of serious malfunctioning of public administrations. [which] globally taken raise for many areas distressing worries about un-governability” (Giannini, 1979, p. 5). The report advocated key



reforms of what came to be called NPM before the expression 'NPM' had been coined by Hood (1991). Giannini (1979) advocated decentralisation of the State and the use of managerial technologies.

The report highlights that “the adoption of appropriate administration techniques is the area of major shortage for public administrations. This shortage is the cause of the popular image of public organizations, as composed, according to the more negative judgements, of drip and lazy personnel, and according to the more positive judgements, of bureaucratic and retrograde personnel” (Giannini, 1979, p. 7). The report claimed nearly 30 years before the Brunetta reform, that there was a need to improve public administration “productivity” (repeated 32 times) and “efficiency” (repeated 24 times). Furthermore, the report emphasises the urgency of the intervention to improve the perceptions of public employees by citizens which was, at that time, already associated with the label of “lazy”. To pursue an improvement, Giannini proposed as central the introduction of a performance measurement system, by identifying measurement methodologies and specific indicators. This early proposal however was not followed by significant reform in the field at that time. However, the ideas expressed by Giannini can be found in a related, subsequent period of reform in Italy which started in the early 1990s (Capano, 2003) and in particular in 1993 when a law (act 29/1993) was approved advocating the “managerialisation” of the public sector (Dente, 1999). The law sets out three main goals:

‘(a) increase public sector efficiency [...]; (b) rationalise labour costs; (c) improve utilisation of human resources [...] apply conditions similar to the private sector’ (*Emphasis inserted*) (Art. 1, 29/1993 law).

The above law is an endorsement of an NPM type reform of Italian public administration, but it was to be later in that decade before substantive changes were effected in Italy, with the Bassanini Reform which is discussed, next.

### *Phase 2: Comprehensive NPM – Bassanini Reform*

The cycle of Bassanini Reform is based around four laws: l. 59/97 (the most fundamental law of the reform), l. 127/97 (Bassanini *bis*), l. 191/98 (Bassanini *ter*) and l. 50/99 (Bassanini *quarter*) (that was to consolidate the l. 59/97). A fundamental assumption of the Bassanini reform was the introduction of two key principles within the Italian public administration: the subsidiarity principle and those of efficiency and cost-effectiveness of public administration. Both decentralization (subsidiarity) and VFM are central tenets of the NPM approach (Hood, 1991; 1995). Efficiency and cost-effectiveness were regarded as

crucial in a time of economic renewal and public expenditure control at the end of the '90s (Bassanini, 2000). According to Bassanini an efficient public administration was crucial : *“a modern and efficient public administration, keep up with the challenges of the new millennium”* (Cortina, 2007)

The subsidiarity principle devolved all the responsibilities and administrative functions related to local services to the Municipalities and the Provinces, to ensure that citizens' needs are decided at their local level. This process, often called “administrative federalism” (Capano, 2003, p. 789), of reform culminated in the constitutional reform of the V Title through the constitutional law 3/2001. Some core elements of the subsidiarity principles introduced through the Bassanini reforms are the direct election of the mayor, the President of The Province of the President of the Region and the creation of the “fiscal federalism” to the local administration by the transformation of central government's funds into local taxes or participation.

On the other hand, the principle of efficiency was expected to guide two manoeuvres. First, the abolition or merger of redundant and unnecessary functions was established at the central level (art. 11, c. 1, l. 4) and to all the public administration (art. 12, c. 1, l. g) in order to favor the rationalization of the Italian public sector. One example is the creation of the “Sportello Unico”, that should simplify the administrative processes with respect to the start-up of businesses. According to this innovation, the “Sportello Unico” was expected to create one single point of contact between the public administration and private businesses, leading to a reduction of required time for administrative procedures and to a strong cooperation between public administration and the local private sector. Second, the l. 59/97 focuses on the implementation and development of a monitoring and evaluation system to oversee the performance of public services and the consistent allocation of cost. With respect to this stream of reform, a key change of the Bassanini reforms is related to the “privatization of public services”, according to which civil servants started to be disciplined by the private law compared to that applied in private sector.

In the wake of this second line of action, the 286/1999 legislative decree, that executed the legislative mandate of l. 59/97, advocated the implementation of four mandatory forms of managerial control: strategic control; management accounting; performance appraisal and reward; and internal audits. Politicians were put in charge of the first instrument (strategic control), designed for setting and evaluating the achievement of defined objective, while administrators were given charge of the remaining three, for efficient use of resources (management accounting), professional development (appraisal and rewards) and

compliance with rules (internal audit). The distinction between the responsibilities of politicians and that of administrators represent an innovation in the discipline of internal control in the Italian public administration<sup>2</sup>, but it can also be seen as an overt politicisation of key elements of public management reform. However, the apparent innovative introduction of internal controls was not new in 1999. The discipline of internal control in the Italian Public Administration was initiated through the law 20/1994, whose content was innovative for three reasons. First, it established the creation of internal controls in each public administration; second, it reduced the preventive control of legitimacy in the hand of the Court of Count and, at the same time, it attributed to the same Court the power of consecutive control over the budget management, non-budget management and communitarian funds management of each public administration.

Moreover, the d.lgs. 286/99 established two instruments for the implementation of the control systems. First, the annual directive was conceived as the basic act for the planning of objectives and the definition of indicators through which objectives' achievement should be assessed. Second, a unitary information-statistical system should be developed to derive quantitative financial measures.

Lastly, the d.lgs. 286/99 focused on the quality of public services through the introduction of the Public Services Charters (art.11). This introduction is aimed at fostering the improvement of services quality according quality standards.

The d.lgs. 298/99, attempted to introduce further principles of NPM to the Italian public administration by recommending the use of performance indicators, by the identification of quality standards for public services and by using benchmarks to assess the performance of public administrations.

The Bassanini reforms can be seen as the most profound enactment of NPM-like ideas in the Italian public administration. However, it is important to note the political overlays within these public management initiatives. This was a top down reform, but with political influence designed in at key strategic levels, alongside crucial NPM ideas of efficiency, effectiveness, and decentralisation. However, after more than a decade of the Bassanini reforms, this so-called administrative federalism resulted in an overlapping of functions that, combined with resistance from ministerial bureaucracies, has failed to comply with both the law and the subsidiarity principles (Bassanini, 2009). In addition, as noted by Capano (2003), the process of devolution from central government to local authorities was still to be based on a separation and translation of rules and duties: *“the policy of granting local*

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<sup>2</sup> The previous discipline (art. 97 of the Constitution) in fact made no distinction between internal controls of politicians' responsibility and internal control under the responsibility of administrators.

*autonomy is conceived of in terms of the mechanical division of duties and of the rational, sterile organization of decisional procedures”* (Capano, 2003, p. 792).

Similarly, recent research which focused on the state of the art of d. lgs 286/99 revealed an unsatisfactory implementation of internal control (D’Alterio, 2013). Three main areas of limitation have been identified by D’Alterio and colleagues (2013): first, few strategic documents have been published during eleven years that are expected to guide the implementation of reform; second, guidelines contained in these documents are poor, too generic and they do not consider the specificities of each public administration; third the related evaluation reports are too concise with scant attention to the definition and the evaluation of whether objectives had been achieved or not. Another example is provided by Capano (2003), who found that in 2001, although more than 90% of Italian municipalities had devised an internal accounting system, only 50% of them adopted new accounting mechanisms (Capano, 2003). Again, and of much more significance, *“the evaluation of the performance of management and employees becomes a way of distributing money, rather than a management tool designed to encourage learning”* (Capano, 2003, p. 794). Therefore, overall, the Bassanini delivered disappointing outcomes.

### *Phase 3: Selective and Reiterated NPM – the Brunetta Reform*

Despite the ineffectiveness of the Bassanini reforms, the Italian Government continued its preoccupation with the same ideas of performance management and efficiency in public administration in a third phase of modernisation: the Brunetta reform. This reform was considered by OECD to be ‘a revision of all aspects related to the civil service, with a view to improving labour productivity as well as efficiency and transparency’ (OECD 2010, p.1). Yet the focus of the reform was on the introduction of a *performance management cycle* which is in turn linked to four major issues ([www.riformabrunetta.it](http://www.riformabrunetta.it)): the evaluation of organizations and individuals; higher selectivity in the allocation of bonuses; greater responsibility for top managers and a revision of trade union roles in contract definition; and the simplification of procedures for pursuing administrative sanctions, introducing a catalogue for major sanctions leading to dismissal. This last theme was emphasized to the public through the media, using the slogan of the ‘fight against absenteeism’ as an emblem to make the Brunetta reform distinctive from previous ones in term of its severity in its application. Although this attempted to position the reform as different, the specific instruments proposed in the Brunetta reform were a reiteration of a previous reform (see,

e.g. March and Olsen 1983; Brunsson 2009), which neglects past failures and complexity of the Italian heterogeneous context.

The reform sits in the middle of Pollitt's (2010) spectrum, and it aims at doing more with less, with an unprioritized focus, and the ambition to achieve efficiency gains and as well as improvements in effectiveness. The law attempts to impact on both the cost of services and their value for citizens, considering all public organizations, managers and officers equally. What is new is the emphasis on *punishment* of inappropriate behaviour, on *severity* of punishment, and on the presentation of the law as a guarantee to citizens:

'The rules of this decree **guarantee** an improvement in the organization of work, the adherence with the boundary between law and collective agreements, high qualitative and economic standards for functions and services, incentives for working performances, **selectivity** for career advancements, **merits** and **demerits**, selection and development of capabilities and results for top management contracts, an increase in autonomy, power and responsibility for top managers, an increase in public service efficiency and the **fight over scarce productivity and absenteeism**, as well as transparency of public administration activity to also guarantee its legality. (Brunetta Reform, p.2 – emphasis added).

The need to punish absenteeism in Italy, the culture of *lazy* (a word often used by Mr. Brunetta) is presented as a wider problem for every citizen, a plague that needs to be eliminated.

This desire to heighten the visibility of the reform leads to the second element of novelty in this reform: the engagement with, and communications to, citizens. Since the earliest days of the reform, Mr. Brunetta used the media widely to express the view that the reform of public services is a significant problem for everyone. In addition to formal documents, the government opened a specific website for the reform, in which it was possible to see and download 'the kit for the reform'. This was an animated video (see figure below) where an image of the minister is beside the words (on the left): transparency, performance evaluation, merit, quality and digitization, participation. This is a symbol of the determination of the reform leaders to get their message across to the wider public. As well as the website and its frequent presence on TV, the reform is promoted through more innovative channels: a blog, Facebook, a Youtube channel and twitter, in an attempt to engage with younger people.

Regardless of the type of media device, the management instrument which is presented as central in translating the holistic emblem into actual results, is *performance management* (individual reward and appraisal, control systems and functions).

The response to this earlier reform has led to different outcomes across the various sub-sectors of public administration (health, education, local authorities) and geographically (north and south) (Capano 2003; Arnaboldi and Palermo 2011; Mele 2010), sometimes leading to interesting experiences (Arnaboldi and Azzone 2010), sometimes leading to ‘double talk’ (Ongaro 2011), where the inefficiency and bureaucracy remains the most visible element to the public at large. Starting from this general dissatisfaction with Italian public administration, the Brunetta reform reshapes old themes and instruments. However, it is also distinctive in the manner in which it engages with the larger public, using the media to emphasise a new urgency with Brunetta’s moral, personal, commitment for achieving cultural change.

What is newer in the Brunetta reform is the prominence of ‘punishment’, which was to be achieved via a central audit function, supported by local satellites. The aim of the audit body is to oversee the application of the reform, but more importantly to achieve its objectives of penalising absenteeism and other opportunistic behaviour and verifying selectivity in the allocation of bonuses. The audit central function, labelled CIVIT (Commission for the Independent Evaluation of Transparency and Integrity of public administration) was established in December 2009. It enrolled five experts to take forward its reform agenda. The work of the CIVIT was marked by several obstacles and resistance, accentuated by the lack of appropriate resources. This situation was brought to the attention of the public by one of these appointed experts sending a letter to a national newspaper, in which he resigned from CIVIT, highlighting the *impossibility* of carrying out the assigned tasks:

‘I communicate that I resign irrevocably, starting from 14<sup>th</sup> January 2011, from my office as an expert within the Commission for the independent evaluation of transparency and integrity of public administrations. This decision is painful but has been taken after careful consideration and it is due to my assessment of the impossibility for the Commission to pursue in a satisfactory way the objectives for which it has been established [...]’.

This resignation may have entered the wider public perception of the trajectory of the Brunetta reforms. However, this letter had a lower impact than it would have had as a television interview, which is a more influential medium than this newspaper in Italy. More importantly, the resignation of one of the CIVIT experts pointed out the controversies in the implementation of the Brunetta, particularly the contradiction between the ambition of a broad reform process and the scarce resources available.

Criticisms of the Brunetta Reform are evident, starting from November 2009. In this month, a Director of the Department of the Central Government published an article in

which he highlighted three main limitations of that reform. The unsatisfactory results, mainly based on a formal evaluation that has a modest impact on the managerial activities of the entire Italian public administration, derive from a number of limitations. First, the adoption of the Reform was justified by formal reasons of external accountability, without serious consideration of the practical implications of using Brunetta reforms as a managerial tools. Second, the Brunetta Reform was implemented in a context in which previous managerial tools were in place, leading to an overlapping of management control systems. Thirdly, often the people in charge of evaluating performances did not have the required managerial competencies to do this properly.<sup>3</sup>

This image and approach sits awkwardly with the managerial history of reforms in Italy (Mele 2010; Ongaro 2011). History has shown that change is neither quick nor monolithic. This is also of more general interest for other countries, where reforms promoted after the financial crisis have often (Pollitt 2010) been too ambitious by seeking to address all facets of public administration, with little thought of the diversity within this sector. In particular, when reforms advocate the implementation of old managerial instruments, which have merely been relabelled or rebadged, this creates potential tensions and difficulties at several levels. Firstly at the legislative level; two decades of NPM reforms have often tailored managerial instruments and their application taking account of the range of public services (e.g. local authorities, healthcare, universities). A new blurred definition of old instruments can clash with the different types of laws enacted across time. Secondly, holistic mandatory reforms create tensions where there has been heterogeneity of responses across organisations, even within the same sector. Thirdly, where management tools demonstrably failed in achieving change, the rebirth of old instruments under a different label is potentially perceived as a lack of understanding of the ‘real issues’ confronting management. Despite some elements of ‘liquidity’ inevitably entering the public sector, the iron cage still exists, especially in legalistic systems such as Italy, signalling the futility of the reformers’ ambition to have quick results.

#### *Phase 4: Back to Basics : NPM as a Financially driven solution – Monti’s Reforms*

The fourth phase of this study differ from previous NPM initiatives. Its focus was akin to the early cost cutting drives within NPM implementation. In this regard, the impact of the Eurozone crisis on Italy’s public finances was critical. The Italian State appointed a technocratic government, after a convoluted political exchange with the European

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<sup>3</sup> <http://www.pietroichino.it/?p=6486>

Commission. More specifically, for Italy, the main message from the European Commission since late 2010 was that the country should have a balanced public budget as a major priority. After these pressures the Italian government approved its Economic and Financial Document (April 2011), which had three parts: a stability programme; an analysis of trends in public finance; and a national reform programme. The overall aim was a balanced budget in 2014. Although the document includes some minor actions to stimulate the economy (e.g. fiscal reductions for young entrepreneurs), its main focus was on reducing public expenditure; and increasing the effectiveness of the civil service. Table 2 summarises the path of reforms.

<< Insert Table 2 here >>

In July 2011, however, there was market speculation over the solvency of Italy, as the EU debated and deliberated on a policy to rescue the Greek economy. The Italian Government was pressed by the European Commission to act more decisively and quickly. Within two weeks, the Italian Parliament approved an adjustment package to the Economic and Financial Document (legislative decree n.98 – 06/07/2011; later confirmed by the Law N.111/2011) entitled ‘Urgent measures for financial stability’. The law encompasses two areas: measures for controlling and reducing public expenses; measures for development (the detail of the proposed items are set out in Table 3).

In August 2011, another event influenced the trajectory of Italian emergency strategy: this was a letter to the Italian Prime Minister (dated 5<sup>th</sup> august 2011, but publicly available only in September 2011) and signed by Jean Claude Trichet and Mario Draghi (the former and present President of the European Central Bank). This is the opening passage:

‘Dear Prime Minister, The Governing Council of the European Central Bank discussed on the 4 August the situation in Italy’s government bond markets. The Governing Council considers that pressing by the Italian authorities is essential to restore the confidence investors’.

The one page letter continues underlining the need to make further steps:

‘The Italian Government has decided to pursue a balanced budget in 2014 and, to this purpose has recently introduced a fiscal package. These are important steps, **but not sufficient**’ (*Emphasis inserted*)

<< Insert Table 3 here >>



After this statement the letter lists the three areas which are considered in their view essential for recovery: 1) measures to enhance potential growth (liberalisation of local public services; reforming collective wage bargaining system; review of the rules regulating the hiring and dismissal of employees); 2) measures to ensure the sustainability of public finance (additional collective fiscal measures; automatic deficit reducing clause; borrowing should be placed under tight control; improvements to administrative efficiency).

This letter led the government to a further adjustment, an additional package of measures, which was approved in September 2011 (Legislative Decree N. 138/2011). Table 4 summarises the overall variance in revenues and expenditure due to the two adjustment plans (July 2011 and September 2011).

As stated by the Government, overall, the financial stabilisation package is aimed at containing public spending and in increasing revenues, including a VAT rate increase of one percentage point.

<< Insert Table 4 here >>

All these quick and non-linear actions had the side-effect of exacerbating the internal political climate in Italy, putting the Government, already weak, in further difficulties. This tension surfaced daily in the media, but it became harder after the meeting of the G20 summit in October 2011, during which the Italian Prime Minister was asked to bring forward further actions to guarantee Italian stability and recovery. The ill-defined proposal from Italy, together with the problematic situation of Greece led again to market speculation and media pressures from all over the world. An exemplary article on Italy is provided by the Financial Times (5<sup>th</sup> of November 2011):

‘In a group of 20 summit that fell well short of what was needed the world’s most powerful leaders were powerless in the face of the manoeuvres by two European premiers: George Papandreou and Silvio Berlusconi. The similarities between the two are striking: both men rely on a thin and shirking parliamentary majority and they are both squabbling with their own ministers of finance. Most importantly, they both have a dangerous tendency to renege on their promises at a time when markets worry over both their countries’ public finances. There is, however, one important difference: having reached €1,900bn, Italy’s public debt is so high that its potential to destabilise the world economy is way above that of Athens’

The article ends:

‘After two decades of ineffective showmanship, the only words to say to Mr Berlusconi echo those once used by Oliver Cromwell. In the name of God, Italy and Europe, go!’

Finally in November 2011 Mr Berlusconi resigned and on 16 November 2011, a technocratic government was appointed. The main commitment for the new government, led by Mario Monti, a former EU competition commissioner, was to restore the Italian economy to health, as strongly encouraged by EU institutions and the public opinion (New York Times, November 17, 2011). Fiscal debt management was at the centre of Mr Monti’s cabinet, which was pursued by a series of actions such as an Austerity package and reforms of the pension system and the labour market. In 2012 another major action was started and labeled ‘Spending Review’. Specifically on July 2012 the government approved a decree (Act 95/2012), by which public spending was proposed to be cut by 25 billion euros in three years (Gazzetta Ufficiale, July 6, 2012). The following table summarizes the main cost reductions included in the Spending Review Act.

<< Insert Table 5 here >>

This spending review addressed some areas of public expenditure which received minor attention in the past, in particular the reduction of staff and managers in all segments of the public sector. It is within this line of expenditure reduction that the Brunetta reform is recalled. In a specific article (n. 5) the government recalled the Act 150/2009 and sought the implementation of “criteria to assess public employees performance at the organizational and individual level” (act 95/2012, p. 19). Although the 2012 Act eliminated some of the rigidity of the Brunetta reform, such as the mandatory distribution of personnel assessment in specific ranges, it re-emphasized the importance of performance management and even of CIVIT in auditing the actual implementation. The new general secretary of CIVIT commenting on the impact of Monti’s government on the Brunetta reforms highlighted that: “The Spending Review imposed a tight integration between individual performance and financial management and our future plan for the next performance review cycle will be in this direction. To summarize the link between economic resources and management objectives is rendered explicit”.

However, the progress of this initiative stalled from December 2012 on, when Monti resigned from his office, after Mr. Berlusconi's party abstained from voting for financial reforms. Furthermore Monti decided to lead a coalition for the February 2013 elections, which gave challenging results for Italy’s political and economic stability. The Monti party

received a low percentage of votes (less than 10%) while three coalitions emerged with nearly equal power: the left-wing (led by Mr Bersani), right (lead by Mr Berlusconi), and a new popular party (Movimento 5 Stelle) founded by a former comedian putting forward the need to completely change the political class to reflect the needs of ordinary citizens. Political actions derailed Monti from his reforms. The modernization of Italy's public administration had foundered yet again. The political context is important for this phase. It underlines the short term nature of the Monti reforms and the intractable nature of reform in a highly politicized context where the embedded culture is resistant to change.

### **Conclusion: An Evaluation of Reforms**

This paper has examined a significant issue within the field of public sector accounting: how is that some countries appear to be more successful than others in the adoption adaption and implementation of NPM ideas? This puzzle persists. The solution to unpacking this paradoxical aspect of NPM is the need for detailed country studies which scrutinise not only specific reforms, but also reform processes.

This paper examined a set of reforms which were intended to achieve cultural change in Italian public services. This aim is in itself indicative of the challenges facing public service modernizers in Italy and, indeed, other similar 'slow reformer' countries. The intent to achieve cultural change is easy to include in a manifesto, but profoundly difficult to achieve in practice (Willmott, 1993; Power, 1997). The very fact that this is one of a series of public sector reforms in Italy is, in itself, indicative of the magnitude of the task of cultural change.

This study of public management reforms in Italy offers a considered evaluation of the effectiveness of managerial, NPM-type reforms in a legalistic environment. In the struggle for primacy between political interests and the advocates of managerialism and the reform of Italian public administration, there is an ebb and flow, as the tussle unfolds, but, ultimately, political processes win.

The message of the modernizers throughout over 30 years is clear and repetitive: an articulation of the need for greater efficiency in Italian public administration. This is evident in the focus on performance measurement and employee motivation by Giannini (Giannini Report, 1979). This cadre of relentless modernizers (Brunsson and Olsen, 1993, Brunsson, 2009), persisted in its advocacy of a managerial approach to Italy's public administration. This adherence to NPM reforms and the drive for the efficient public administration remains, despite the limited impact of Giannini. The reform movement is strengthened by the Bassanini reforms, but there is mixed success with Bassanini(2000), with its most

enduring innovation being the decentralization and restructuring of Italian public administration, a policy focus which is attractive to reformers and the easiest to implement (Lapsley, 2008).

The pursuit of reform was given fresh hope by the vision of Brunetta (OECD, 2010) and this can be seen as potentially the most dramatic of reforms in terms of its scope, its aims and its outreach to citizens. However, the Brunetta reform has continuities with the earlier reforms in Italy. This includes a focus on short term, rapid results which can be seen as an NPM emphasis. Also the intention to increase the performance of individual members of public services by providing financial incentives is not without criticism (Chang 2010). However, the very idea of 'payment by results' is in itself indicative of an NPM ethos. Furthermore, many NPM reforms are accompanied by structural reforms (Lapsley 2008). For Brunetta, a structural change was the introduction of a new body - CIVIT. Most importantly the establishment of this body introduces audit as a central element of the reforms. The role of audit as an enforcement mechanism for NPM reforms is well documented (Power 1997).

The Brunetta reforms were heavily reliant on information and communication technologies. On one level, this tendency within public administration has been declared as the heralding of a 'post- NPM era' (Dunleavy et al. 2005). At a superficial level, this can be seen as somehow transformational. However, the NPM deploys a set of management instruments and the current reliance on developments in information technology can also be seen as a natural extension of the public service managers' armory of tools (Hood, 2000). There is also the somewhat uncomfortable situation where governments develop transformational mission statements based on e-government which fail to deliver (Brown 2001; Lapsley 2009; Hood and Margetts 2010). This raises the question of whether a more incremental approach to the use of ICT would yield more success. The Brunetta reform has, however, opted for the more transformational approach.

The prominence of the role given to citizens by Brunetta resonates with the NPM world which seeks to shift importance from providers of public services to users of such services. This represents a shift from citizen *qua* citizen to the 'citizen as consumer'. Yet this shift represents one of the most challenging tasks for NPM reformers. The complexity, both of public services and of the documentary evidence available to citizens on the performance of such services is a stark contrast to the market signal of prices. The difficulty of the citizen acting as a consumer is magnified by the sheer range of activities to which citizens are exposed as they go about their everyday lives (Pollitt, 2010). This is a facet of NPM reforms

which requires finely nuanced thinking instead of the promulgation of political slogans through social media.

Indeed the Brunetta reform revealed insensitivity in its understanding of the contemporary challenges facing public service managers and what motivates them. The particular concept of management to which Brunetta enshrines his reform is rather dated. The Brunetta concept of the public services manager owes more to Theory X than Theory Y (McGregor, 2006). Contemporary public service managers face resource retrenchment, efficiency savings, restructuring and the ever present need to demonstrate more service can be provided with less resources in a stream of continuous improvement. Today, public service managers require 'love' and understanding (Mouritsen et al. 2005; Lapsley 2008) to discharge the onerous responsibilities they face in society.

However, at all stages of this lengthy reform process, these initiatives have stalled. The challenge of reinventing a public bureaucracy in a legalistic world dominated by political processes into a more entrepreneurial public management was too much. The fiscal crisis of the Eurozone triggered yet further reforms, led by the Monti technocratic government, which we characterize as 'back to basics' of NPM. But this initiative, which recalled the early modes of NPM implementation which focus on cost reduction (Ferlie et al. 1996), stalled too. Indeed, this final reform attempt was also derailed by political processes as the leader and architect of technocratic reforms, Monti failed to win political support at the Italian General Election of 2013.

This paper has revealed the significance of political context as a decisive feature of the receptivity of countries to the adoption of NPM reforms. The longitudinal nature of this study makes it evident that there are recurring patterns of behaviour within the political context. There is a case for further longitudinal studies of NPM reform processes to provide a more comprehensive account of the nature of NPM reforms and the extent to which they can be regarded as enduring and successful or merely powerful rhetoric which is weak in practice.

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## FIGURE 1

An image from the Brunetta Kit's video.



**TABLE 1**

Main legislative documents

<b>Phase</b>		<b>Law</b>	<b>Year</b>
I	NPM before NPM: Early advocacy of comprehensive NPM reform	Giannini Report	1979
II	Comprehensive NPM reform	Act 59/1997	1997
		Act 286/1999	1999
III	Selective and recursive NPM reform: performance management	Act 150/2009	2009
IV	Skipping NPM solutions: Financially driven reform	Act 95/2012 – Art. 5	2012

**TABLE 1**

Main items in Italy's Urgency Plan 2011

<b>Reference</b>	<b>Time</b>	<b>Content</b>
Economic and Financial Document (EFD) 2011	Submitted by the Government in April 2011 and adopted by Parliament in May 2011	Stability programme; analysis and trends in public finance; national reform programme.
Emergency measures for financial stability 2011	Decree Law N. 98/2011 (July 2011); later confirmed by the Law N.111/2011.	Adjustments to EFD 2011- Table 3 for details
Additional package of emergency measures,	September 2011 (Legislative Decree N. 138/2011).	Main actions: reduction in public spending and increase in revenues (e.g. VAT rate increase of one percentage point).

**TABLE 3**

Main items of the Italy's Urgency Plan 2011

Area	Details
Actions for controlling and reducing public expenses	Reduction of political costs and its apparatus Public spending review and rationalization Rationalization and reduction of expenses for public employment, health, assistance, pensions, education Exemptions from cost reduction in infrastructure expenditure Measures for Incomes
Actions for development	Reduced taxation for private sector incentives previously negotiated with trade unions Reduced taxation for young entrepreneurs Rationalization of the fuel distribution network Liberalization of state employment bureaux Broadband infrastructure financing Reduced taxation for venture capital enterprises Revision of capital expenditure for infrastructures Actions for improving the management of property investments Actions for fish fauna preservation, simplification for telecommunication plant, intervention for the reduction of energy costs. Reorganization of the Agency for roads infrastructure Actions for improving the efficiency of the judicial system Actions for speeding the resolution of current disputes concerning pensions Actions for the reorganization of fiscal justice

**TABLE 2**

Impact of Both Adjustment Plans (on Revenues, Expenditure and Borrowing reduction)

	2011 (million €)	2012 (million €)	2013 (million €)	2014 (million €)
Revenue Increases	2,603	20,676	35,406	38,816
Expenditure Reductions	-237	-7,599	-18,859	-20,978
Net Borrowing reduction	2,840	28,275	54,265	59,795

**TABLE 3**

Mr Monti's government spending review

Main cost reductions (in million euros)	2012	2013	2014
Government procurement	121.1	615	615
Central government ministries expenses		1,528.5	1,574.5
Health care spending	900	1,800	2,000
Funds transferred to ordinary regions	700	1,000	1,000
Funds transferred to special statute regions	600	1,200	1,500
Expenses by reducing the costs and n. of provinces	500	1,000	1,000
Funds transferred to other local authorities	500	2,000	2,000
Funds transferred to research centers	33.1	88.4	88.4

